

**Minutes of Audit and Standards Committee**

**Thursday 9<sup>th</sup> February 2017 at 6.00 p.m.**  
**in Committee Room 3, The Council House, Dudley**

**Present:-**

Councillor P Brothwood (Chair)  
Councillor S Waltho (Vice-Chair)  
Councillors, A Aston, S Craigie, M Mottram, A Taylor, L Taylor and T Westwood.

**Officers:**

I Newman (Chief Officer Finance and Legal Services); R Cooper (Head of Financial Services); M Farooq (Head of Law and Governance); G Harrison (Acting Head of Audit Services); A Taylor (Principal Auditor) and L Jury (Democratic Services Officer).

**Also in Attendance:-**

J Cook and T Tobin (Grant Thornton) for agenda item no. 5 only.

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33 **Apologies for Absence**

Apologies for absence were received on behalf of Councillors J Baines and J Hill.

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34 **Appointment of Substitute Members**

It was reported that Councillor L Taylor was serving as a substitute member for Councillor J Hill for this meeting of the Committee only.

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35 **Declarations of Interest**

No member made a declaration of interest in accordance with the Member's Code of Conduct.

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36 **Minutes**

**Resolved**

That the minutes of the meeting held on 8<sup>th</sup> December, 2016, be approved as a correct record and signed.

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37 **Grant Thornton Letter: Grant Certification Work 2015/16**

A report of the Chief Officer Finance and Legal Services was submitted on the work undertaken by the External Auditors (Grant Thornton) to certify grant claims and returns for 2015/16. A copy of the grant claims certification letter was attached as an Appendix to the report submitted.

Mr Cook in presenting the report, reported that they had undertaken work to certify the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £96.5 million and referred to the claim amended figure of £246 and it was acknowledged that this was a relatively minor figure in context of the £96.5 million and this clearly demonstrated that benefit payments were being calculated correctly. It was also noted that there were no other issues to bring to the attention of the Committee arising from the certification work that had been carried out.

Arising from the presentation, it was requested that the Chief Officer Finance and Legal Services forward the Committee's recognition of the excellent record and hard work of the Finance Staff.

### **Resolved**

That, the information contained in the report and Appendices to the report submitted on the External Auditor's Letter on the Certification of Claims and Returns for 2015/16, be noted.

## **38 Treasury Management**

A report of the Chief Officer Finance and Legal Services was submitted outlining treasury activity during the financial year 2016/17 up to the end of December 2016 and also seeking Committee's approval of the Treasury Management Statement 2017/18, attached as Appendix 2 to the report submitted.

In presenting the report, the Chief Officer Finance and Legal Services commented that this was one of two reports that were submitted to this Committee each year before being submitted to full Council for approval. Reference was then made to the authority's very prudent approach to Treasury Management, only borrowing money when required and avoiding unnecessary risks.

Specific reference was then made to paragraph 6 of the report noting the authority's investment up to early January 2017 having averaged as £28.7m, with significant day to day variations as a result of cash flow, and with an average return on the investments of 0.44%. It was also noted that all investments were placed only with institutions that have strong credit ratings. More details of the authority's investment activities for 2016/17 were set out in Appendix 1.

Continuing, the Chief Officer Finance and Legal Services reported that the average value of long-term borrowings up to the end of December 2016 were £599.0m, with the average rate of interest on these borrowings of 3.69%, being a very low rate for a local authority. It was also reported that the authority had taken out 2 maturity loans totalling £20m with the average interest of 0.95% and it was noted that the authority may need to borrow again before the financial year end but Members were assured that this situation would be closely monitored, and any long-term borrowing would not be taken out unless there was a very

strong indication that this would be necessary for cash flow purposes. Reference was made to the West Midlands Debt Administration Fund (WMDAF) noting that the authority would continue to manage the outstanding debt, on behalf of other members, until 2026.

Concluding, the Chief Officer Finance and Legal Services referred to the proposed Treasury Strategy Statement 2017/18 as attached as Appendix 2. The report would be submitted to Council for approval on 27<sup>th</sup> February 2017.

Arising from the presentation, the Chief Officer Finance and Legal Services responded to questions raised by the Committee including questions raised by the Chair relating to the WMDAF.

### **Resolved**

- (1) That, the Treasury Management activities 2016/17 outlined in the report submitted, be noted.
- (2) That, the Treasury Management Strategy 2017/18, attached as Appendix 2 to the report, be approved.
- (3) That, the Chief Officer Finance and Legal Services be authorised to effect such borrowings, repayments and investments as are appropriate and consistent with the approved Treasury Strategy and relevant guidance.
- (4) That, the report and Appendices submitted, be referred for approval by full Council at its meeting on 27<sup>th</sup> February, 2017.

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### **39 Invitation to become an Opted-In Authority – Public Sector Audit Appointments**

A report of the Chief Executive and the Chief Officer Finance and Legal Services was submitted on the proposal to opt in to the national scheme for auditor appointments. Further details of the scheme were set out in the invitation to opt in, contained in Appendix 1 to the report.

Presenting the report, the Chief Officer Finance and Legal Services commented that until 2012 the authority's auditors were the Audit Commission but following the Government's decision to abolish the Audit Commission, from 2013 up to present date, companies have been appointed to conduct audits under mandatory national arrangements. However, from 2018/19, the authority will have an option to either opt to appoint its own external auditors or opt to voluntarily have audit appointments made by the Public Sector Audit Appointments Ltd (PSAA); an initiative put forward by the Secretary of State for Communities and Local Government.

Reference was made to paragraph 3 of the report which detailed the actions the authority would need to undertake if it opted to appoint its own external auditors. However, it was noted that this option would be demanding in terms of resources and would potentially raise questions in relation to independence.

Continuing, the Chief Officer Finance and Legal Services commented that opting in to the arrangements would ensure that the Council's auditor would be appointed by an organisation that was already experienced in appointing auditors and it was reported that most local authorities were choosing the opt-in route. Reference was made to the joint activities undertaken by local authorities, such as ownership of Birmingham Airport shares, and therefore it was believed that it would be advantageous for all West Midland authorities to have the same external auditor. This issue would be raised with PSAA.

Concluding, it was reported that approval of the proposal to opt-in to the national scheme for auditor appointments, had been granted at last night's Cabinet and the Committee were requested to endorse the recommendation which would be submitted to Council on 27<sup>th</sup> February for final approval.

Arising from the presentation of the report and in response to a question raised regarding whether it was likely that our existing auditors would be re-appointed, the Chief Officer Finance and Legal Services responded that the PSAA would undertake a national level procurement exercise and award new contracts. Whilst it was acknowledged that the work undertaken for a number of years by our current External Auditors, Grant Thornton, had been satisfactory, it was felt good practice to appoint new auditors from time to time as part of the independence requirement.

#### **Resolved**

- (1) That, the report submitted on the proposal to opt in to the national scheme for auditor appointments, be noted.
- (2) That, the recommendation to opt in to the national scheme for auditor appointments be referred for approval by full Council at its meeting on 27<sup>th</sup> February 2017.

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#### 40 **Exclusion of the Public**

That the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information relating to any individual(s) and that in all the circumstances, the public interest in disclosing the information is outweighed by the public interest in maintaining the exception from disclosure.

<u>Description of Item</u>	<u>Relevant Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972</u>
Audit Services Interim Performance Report	2 and 7
Risk Management Strategy	2 and 7

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#### 41 **Audit Services Interim Performance Report**

A report of the Chief Officer Finance and Legal Services was submitted on an update on Audit Services performance and other related information.

In presenting the report, the Acting Head of Audit Services reported that as of December 2016, 43 audits had been completed against a target of 45 due to sickness and having provided more input into the new HR system than had been initially planned. It was, however, envisaged that 90% of the audit plan would be achieved. It was noted that changes had been made to the audit plan since the plan had been approved by this Committee in April 2016, and cancellations set out in paragraph 4, were noted. Some of the cancelled audits may be undertaken in 2017/18 and the replacement audits shown in paragraph 5 were noted.

Continuing, the Acting Head of Audit Services reported that the performance achieved as at 31<sup>st</sup> December 2016 on the time taken from the start of an audit to the issue of the draft audit report against a target of seven weeks, was similar to that which had been achieved during 2015/16. It was also noted that the finalisation of reports produced within six weeks of the draft report being issued, was below the performance achieved in 2015/16 but above the informal target previously set by this Committee.

Progress to date on Business Plan actions was reported. Details of the follow up work undertaken since last reporting to the Committee was also provided as set out in paragraphs 10 and 11.

Concluding, the Acting Head of Audit Services made reference to Fraud, reporting that the service was continuing to investigate a matter of alleged fraud which could potentially result in a criminal prosecution and Proceeds of Crime Act proceedings. It was also noted that several minor cases were also being investigated and good progress was being made on the Fraud Action Plan.

Arising from the presentation of the report, Members raised questions and made comments relating to the information presented to which answers were given at the meeting.

### **Resolved**

That, the information contained in the report submitted on Audit Services performance and other related information, be noted.

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## 42 **Risk Management Strategy**

A report of the Chief Officer Finance and Legal was submitted updating members on current corporate risks and other matters relating to risk management. Appendix 1 to the report, showed details of Corporate Risks which were generally acknowledged as being the most significant facing the Council; impacting upon at least one or several of the Council's key objectives. In addition to risks shown in Appendix 1, the Committee were requested to identify any particular risk for closer scrutiny the next time a risk report was scheduled.

In presenting the report, the Chief Officer Finance and Legal Services reported that the Committee requested it should receive details of Corporate Risks three times per annum and at its previous meeting, the Committee agreed to scrutinise risk R.14 which related to Equal Pay settlements.

The Chief Officer Finance and Legal Services then delivered a detailed presentation to the Committee outlining this matter.

Arising from the presentation of the report, Members raised questions and made comments relating to the information presented to which answers were given at the meeting.

### **Resolved**

- (1) That, the information contained in the report and Appendix 1 to the report submitted on corporate risks appearing at the highest level on the Council's risk register, be noted.
- (2) That, the information contained in the presentation on R14 associated with Equal Pay settlements, be noted.
- (3) That, the risk R15 in relation to the Council Budget, be the particular risk identified for closer scrutiny the next time a risk report was referred for consideration by the Committee.

The meeting ended at 7.15pm.

CHAIR